

EGYPT¹

MINIMUM WAGE

Minimum wages are set by a combination of law and Presidential Decree.² Law 47 of 1978 established a wage scale for public sector employees. Private sector wages generally follow or exceed public sector wages. Wage increases are determined during consultations that occur after the government's June announcement of its annual wage hikes. Representatives of business groups, trade unions, and the Ministry of Manpower meet in informal discussions to determine what, if any, increase should occur in the private sector. Agreements reached in these sessions are non-binding.

The current monthly minimum wage, set in January of 1999, is 116 Egyptian pounds (£E), or approximately 34 U.S. dollars (US\$), based on a 6-day, 42 hour workweek. An increase in the minimum wage is set by the government on an annual (or occasionally semi-annual) basis.

PREVAILING OR AVERAGE WAGE

The average annual wage in the apparel and footwear industries is US\$1,312.

The table below presents available data from the International Labor Organization (ILO) on average weekly earnings (direct wages per worker) in Egypt for wage earners in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.³ Average weekly hours paid for production workers were 57 in all manufacturing, 55 in apparel, and 53.7 in footwear and leather goods for the years 1990 through 1995.⁴ Current average earnings, which are reported by the ILO in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

¹Unless noted otherwise, information presented here is from American Embassy—Cairo, unclassified telegram No. 1827 (March 9, 1999).

² American Embassy—Cairo, unclassified telegram No. 1913 (February 19, 1998).

³International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

⁴ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 729.

Average Weekly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (£E; 1990=100)			
	(£E)	(US\$)	(£E)	(US\$)	(£E)	(US\$)	Manuf.	Apparel	Footwear	
1990	54	18.98	30	10.54	34		11.95	100	100	100
1991	55	11.54	36	7.55	40	8.39	85	100	98	
1992	62	13.51	37	8.06	39	8.50	84	91	84	
1993	70	15.11	39	8.42	41	8.85	85	85	79	
1994	77	15.55	40	8.08	49	9.90	86	81	87	
1995	84	16.67	45	8.93	54	10.72	81	79	83	
1996	na	na	na	na	na		na	na	na	na
1997	na	na	na	na	na		na	na	na	na

Note: na = not available.

Source: ILO, *Yearbook of Labour Statistics*, 1998, p. 875.

NON-WAGE BENEFITS

Minimum wage workers are estimated to receive around US\$180 annually in fringe benefits and allowances. There are no specific mandated non-wage benefits or tax credits for workers in the apparel and footwear industries.

A U.S. Social Security Administration survey⁵ elaborates on four different non-wage benefit programs in which employers must enroll their employees: (1) a social insurance system, begun in 1950, for old age, disability, and death benefits, in which the insured person pays 14 percent of the basic wage and 11 percent of the variable wage, employers pay 26 percent of the basic wage and 24 percent of the variable wage, and the government pays 1 percent of the payroll plus any deficit; (2) for sickness and maternity benefits, which were implemented in 1964, the insured person pays 1 percent of earnings, employers pay 4 percent of the payroll, and the government pays nothing; (3) work injury benefits, which began in 1936 and into which the employer pays 3 percent of the payroll and the insured person and the government pay nothing; and (4) unemployment insurance, which is a compulsory insurance system, begun in 1959, into which the employer pays 2 percent of payroll and the government covers any deficit.

ASSESSING BASIC NEEDS: THE POVERTY LINE

There is no officially accepted poverty line. A compendium of poverty and income distribution statistics prepared by the International Labor Organization⁶ reports several sets of household poverty measures for Egypt:

! for 1984, 34.0 percent of the urban Egyptian households were below the poverty line of annual per

⁵ Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 112-114.

⁶ Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 47-48.

capita income of £E1,794.7 and 33.7 percent of the rural Egyptian households were below the poverty line of annual per capita income of £E1,354.0, for a national household poverty rate of 33.8 percent.⁷

! for 1981/82, 26.2 percent of the urban Egyptian households and 18.7 percent of the rural Egyptian households were below the national poverty line; for 1990/91, 29.2 percent of the urban Egyptian households and 20.8 percent of the rural Egyptian households were below the national poverty line.⁸

The World Bank reports⁹ that, in 1990-91, 51.9 percent of the Egyptian population was below the international poverty line of US\$2 per person per day and 7.6 percent of the population was below the standard of US\$1 per person per day, both in 1985 purchasing power parity adjusted US\$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Egypt meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that base pay is supplemented in Egypt by a complex system of fringe benefits and bonuses, which may double or triple a worker's take-home pay. However, an average worker and family could not survive on a worker's base pay at the minimum wage rate.¹⁰ The U.S. Embassy is not aware of any studies on the issue of a living wage in Egypt.

⁷ The estimates are referenced as originating from Karima Korayem, *The Impact of Economic Adjustment Policies on the Vulnerable Families and Children in Egypt* (Cairo: United Nations Children's Fund [UNICEF], 1987), p. 46. The report presents separate estimates of income poverty lines for families in urban and rural areas, based on the Family Budget Survey 1981/82. The methodology involved: (1) determining the minimum required levels of calories and protein for the average household in each area, based on FAO/WHO recommendations, and the age and sex distribution of the respective populations (5.8/5.2 members per average rural/urban household); (2) determining three different types of typical diets in each area, using data on food consumption patterns from the national Nutrition Institute; (3) estimating the minimum food expenditures by taking the average cost of the three diets in each area, using the official food price lists published by the Egyptian Central Agency for Public Mobilisation and Statistics (CAPMAS) and the Ministry of Supply; (4) estimating minimum expenditures by dividing food costs by relevant food expenditure ratios from the survey; and (5) determining the corresponding poverty line incomes. See Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 156.

⁸ The estimates are referenced as originating from a background paper by Hanaa Kheir-el-Din, "Assessment of Poverty in Egypt Using Household Data," mimeograph (1993), p.19, for the United Nations Economic and Social Commission for Western Asia (ESCWA), *A Conceptual and Methodological Framework for Poverty Alleviation in the ESCWA Region*, E/ESCWA/SED/1993/19 (December 19, 1993), p. 16. No further information is provided as to how the poverty lines were determined.

⁹ World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

¹⁰ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1659.